

PUBLIC DISCLOSURE

September 16, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAMBRIDGE SAVINGS BANK

1374 MASSACHUSETTS AVENUE
CAMBRIDGE, MA 02138

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>

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I. GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **CAMBRIDGE SAVINGS BANK** (or the bank) prepared by the Division, the institution's supervisory agency, as of **SEPTEMBER 16, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

II. INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

Under the Lending Test, the bank is assigned an overall rating of High Satisfactory. Approximately 53.6 percent of the bank's mortgage loans and 71.7 percent of the bank's small business loans were made in the assessment area. Lending was well distributed throughout the assessment area. The bank's distribution of home mortgage and small business loans among the various census tracts was adequate. The bank's distribution of its home mortgage loans among borrowers of different income levels was reasonable given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Act (HMDA) reporting lenders within the assessment area. A majority of the bank's small business lending went to businesses with revenues less than one million dollars and whose loan amount was under \$100,000. The bank's community development lending was good. The bank's use of innovative and flexible lending products is a definite strength of the institution and is considered excellent. In addition, the bank's fair lending performance was found to be commendable at this time.

Cambridge Savings Bank has a good level of qualified community development grants, and has exhibited a good responsiveness to credit and community economic development needs. Based on the review conducted under the Investment Test, the bank's investment performance is rated High Satisfactory.

Cambridge Savings Bank has demonstrated an excellent level of service to its assessment area. The bank's delivery systems are readily accessible to all portions of the assessment area. The bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations. Based upon these findings, the bank granted a rating of outstanding with regards to the Service Test.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Cambridge Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Cambridge Savings Bank is a \$1.8 billion mutual savings bank headquartered in Cambridge, Massachusetts. The main office is located in Harvard Square at 1374 Massachusetts Avenue. The bank is a subsidiary of the Cambridge Financial Group, a mutual holding company formed in 1998. In addition to the main office, the bank operates 11 full service branches and one limited branch, including three in Cambridge, three in Arlington, two in Lexington, and one each in Acton, Bedford, Belmont, and Burlington. The bank also maintains five deposit taking ATMs located in Cambridge (4) and Belmont.

As of its June 30, 2003 Federal Deposit Insurance Corporation (FDIC) quarterly call report, Cambridge Savings Bank had \$1,841,654,000 in assets. Of these total assets, approximately \$1,129,160,000 or 61.3 percent were in the form of loans.

The composition of the bank's loan portfolio consists of mortgage loans, commercial real estate loans, home equity loans, home improvement loans and a wide variety of consumer loans. Business and commercial lending is provided through commercial loans and lines of credit. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	674,571	59.7
Commercial Properties	279,822	24.8
Construction and Land Development	51,435	4.6
Equity Lines of Credit	49,023	4.3
Commercial and Industrial	41,219	3.6
Multifamily (5 or more dwellings)	31,372	2.8
Consumer	1,283	0.1
Other Loans	435	0.1
Total Gross Loans	1,129,160	100.0%

Source: June 30, 2003 Report of Condition.

Cambridge Savings Bank is primarily a portfolio lender and it purchases and sells loans on the secondary market. In 2002, the bank sold 30 loans totaling \$12,162,100. As of September 30, 2003, the bank sold 347 loans totaling \$66,488,161. The majority of loans were sold to Freddie Mac. In 2001, the bank purchased 58 loans totaling \$26,090,815. In 2002, the bank purchased 88 loans totaling \$51,445,575. As of September 30, 2003, the bank has purchased 139 loans totaling \$84,694,214.

All branch offices offer Automated Teller Machines (ATMs) that are linked to the CIRRUS and NYCE networks. The bank does not charge for ATM transactions made at other institutions. The bank also belongs to SUM, an alliance of community banks, which do not invoke ATM surcharges for customers of banks who are also members of the alliance.

Cambridge Savings Bank operates in a highly competitive market. The bank's competition consists of several local banks, credit unions, a branch network of national banks and a number of mortgage companies throughout the assessment area. The local banks that compete directly with Cambridge Savings Bank are Cambridge Trust Company, Cambridgeport Bank, Citizens Bank, Fleet Bank, and East Cambridge Savings Bank. The market influence from these entities appears to be significant, and as a result, serves to keep the bank's rates and services offered very competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2001 aggregate performance data, indicates 452 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the bank's assessment area.

There are no significant financial or legal impediments, which limit the bank's ability to help meet the credit needs of the community. The bank's most recent CRA evaluation, performed by the FDIC as of April 2, 2001 assigned a rating of "Satisfactory". The previous evaluation performed by the Division as of April 18, 2000 assigned a rating of "Outstanding".

Description of Assessment Area

CRA requires a financial institution to identify one or more assessment areas in which it intends to help meet the area's credit needs. Cambridge Savings Bank's assessment area includes the following fifteen Massachusetts cities and towns: Acton, Arlington, Bedford, Belmont, Burlington, Cambridge, Concord, Lexington, Lincoln, Medford, Somerville, Waltham, Watertown, Winchester, and Woburn. All of the communities are located within Middlesex County in the Boston Metropolitan Statistical Area (MSA).

Cambridge, the largest city in the assessment area, is a diverse community that includes residential neighborhoods, university campuses, large corporate offices, and a variety of retail establishments. Twenty five percent of the population is made up of students and almost twenty percent of all jobs in the assessment area are related to higher education. Computer software and design, biotechnology, and other emerging technologies dominate the local economy.

According to 1990 census data, Cambridge Savings Bank's assessment area has 222,954 housing units of which 48 percent are owner-occupied; 48 percent are rental occupied units; and 4 percent are vacant housing units. One to four family properties comprise 73 percent of the total housing units.

Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income (FHI) within the census tract. The assessment area consists of 123 census tracts: 1 (0.8 percent) low-income, 27 (21.9 percent) moderate-income, 60 (48.8 percent) middle-income and 35 (28.5 percent) upper-income. The one low-income census tract is located in the City of Cambridge. Twelve of the moderate-income census tracts are located in the City of Cambridge, eight in the City of Somerville, four in the City of Waltham, one in the City of Medford, one in the Town of Arlington, and one in the Town of Lincoln.

The median home value of the assessment area is \$220,436 based on 1990 US Census Data. A more recent figure was obtained using figures from the October 6, 2003 Bankers & Tradesman publication using 24 month sales statistics through June 2003. According to this publication, the median selling price for a home in the assessment area was \$457,500. Prices in the assessment area ranged from a low of \$327,000 in the City of Woburn to a high of \$841,813 in the Town of Lincoln. Overall, the median prices of homes have increased 10.4 percent in the assessment area versus the same period last year. Only the Town of Belmont saw a 1.04 percent decrease in the median price of housing, while communities like Lexington and Concord saw increases of 21.1 percent and 18.8 percent, respectively. These increases in the median prices of homes are far lower than some of the increases seen in the late 90's and into early 2001-2002.

Please refer to the table below regarding other housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
<i>Low</i>	0.8%	0.3%	0.4%	0.1%	0.7%	0.9%
<i>Moderate</i>	21.9%	18.9%	19.2%	10.5%	27.7%	27.3%
<i>Middle</i>	48.8%	53.5%	53.4%	49.3%	57.8%	51.1%
<i>Upper</i>	28.5%	27.3%	27.0%	40.1%	13.8%	20.7%
<i>NA</i>	0.0%	-	-	-	-	-
<i>Total or Median</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 1990 U.S. Census

The median family incomes for the Boston MSA for 2001, 2002, and 2003 are \$70,000, \$74,200, and \$80,800, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

However, in early 2000 to the present, the assessment area as well as the entire state has been experiencing a decline as the economy has entered into a recession. While the recession was officially declared over in late 2001, there have been other forces that have been a drag on the economy including a lagging stock market, corporate accounting scandals and the threat of terrorism and a rising unemployment rate. A positive influence in the regional economy continues to be the housing market. Key interest rates set by the Federal Reserve Bank have helped push mortgage interest rates to historical lows making the level of refinancing activity increase.

Change in Demographics-2000 Census Information

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Cambridge Savings Bank's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Low	1	0.8	1	0.8	0.0
Moderate	27	21.9	24	19.5	-11.1
Middle	60	48.8	56	45.5	- 6.7
Upper	35	28.5	42	34.2	20.0
NA	0	0.0	0	0.0	0.0
Total	123	100.0	123	100.0	0.0

Source: PCI Services, Inc., CRA Wiz Software.

Two moderate-income census tracts in Cambridge, tracts 3521.00 and 3532.00 as well as census tract 3563.00 in Arlington and census tract 3396.00 in Medford became middle income census tracts. Census tract 3546.00 in Cambridge went from a middle-income census tract to a moderate-income census tract. Overall, the bank's assessment area remained unchanged in the total number of census tracts. Census tract 3566.00, a middle-income census tract in Arlington was split into two census tracts, 3566.01 (middle-income) and 3566.02 (upper-income). Census tract 3335.00, a middle-income census tract in Woburn was divided into two additional middle-income census tracts 3335.01 and 3335.02. Census tract 3582.00 and 3592.00, upper-income census tracts located in Belmont and Bedford were eliminated.

According to 2000 census data, in Cambridge Savings Bank's assessment area, there are 232,697 housing units within the assessment area, of which 50 percent are owner-occupied, 46 percent are rental occupied units and 2 percent are vacant housing units. One to four family properties comprise 74 percent of the total housing units. The median home value of the assessment area is \$315,530 based on 2000 US Census Data.

Please refer to the table below regarding other housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner-Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
<i>Low</i>	0.8%	0.3%	0.3%	0.1%	0.5%	0.0%
<i>Moderate</i>	19.5%	18.9%	18.9%	10.5%	28.1%	20.5%
<i>Middle</i>	45.5%	46.9%	46.9%	42.7%	51.3%	48.6%
<i>Upper</i>	34.2%	33.9%	33.9%	46.7%	20.1%	30.9%
<i>NA</i>	0.0%	-	-	-	-	-
<i>Total or Median</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2000 U.S. Census

Unemployment figures were obtained for the assessment area. As of September 30, 2003 the assessment area had an unemployment rate of 4.6 percent. The City of Woburn had the highest rate while the Town of Lincoln had the lowest. The assessment's area's unemployment rate was lower than the statewide average of 5.7 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory". The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its small business, residential mortgage, and community development loans. Residential mortgage and small business loans originated during 2001, 2002 and year-to-date September 30, 2003 were included in the bank's performance.

The data used to evaluate the bank's lending was derived from the Home Mortgage Disclosure Act/ Loan Application Register (HMDA/LAR), small business loan register, and the bank's community development loan register.

I. Lending Activity

Cambridge Savings Bank's lending activity and record of extending credit were reviewed during the course of the examination.

As of June 30, 2003 the net loan to deposit ratio was 73.9 percent. This ratio has decreased slightly from 74.4 percent on June 30, 2002. The decrease in this ratio is a result of deposits increasing by 7.9% and net loans increasing by 7.3%.

The bank's net loans and leases as a percent of assets, as reported in the March 31, 2003, Uniform Bank Performance Report (UBPR), was 61.93 percent. The peer group's net loan to asset ratio was 59.78 percent, placing the bank in the 50th percentile. The bank's ratio is higher than the peer ratio, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Cambridge Savings Bank's LARs were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated and

purchased 3,313 HMDA-reportable loans totaling \$954.7 million. Of this amount, 1,775 loans, or 53.6 percent of the number and \$439.9 million or 46.1 percent of the dollar volume was originated in the bank's assessment area.

By number, Cambridge, accounted for the largest number of originations with 17.6 percent, followed by Arlington with 10.8 percent. Cambridge also accounted for the largest dollar volume of originations with 17.0 percent, followed by Arlington with 7.3 percent. Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	375	52.6%	90,706	47.9%	338	47.4%	98,711	52.1%
2002	630	54.6%	162,102	47.5%	523	45.4%	179,378	52.5%
YTD	770	53.2%	187,184	44.2%	677	46.8%	236,642	55.8%
Total	1,775	53.6%	439,992	46.1%	1,538	46.4%	514,731	53.9%

Source: HMDA/LAR, CRA Wiz

As shown in the tables above, there has been a large increase in the volume of loans from 2001 to 2002. This was due to the low interest rate environment in 2002. In 2001, Cambridge Savings Bank ranked 22nd out of 452 HMDA reportable lenders in the assessment area. Cambridge Savings Bank originated 375 loans in the assessment area giving the bank a 1.11 percent market share. The top three lenders in the assessment area were Washington Mutual Bank, FA with a 7.34 percent market share, GMAC Mortgage with a 5.49 percent market share, and BankBoston NA with a 5.37 percent share of the market. This level of competition and the market environment further supports that the bank's lending activity is good.

Small Business Lending

Cambridge Savings Bank Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated 191 small business loans totaling \$21.3 million during this period. A total of 137 loans totaling \$12.1 million were originated to businesses within the bank's assessment area, representing 71.7 percent by number and 57.0 percent by dollar volume.

Please refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	46	75.4%	2,230	52.1%	15	24.6%	2,049	47.9%
2002	47	62.7%	4,512	55.5%	28	37.3%	3,616	44.5%
YTD	44	80.0%	5,407	60.6%	11	20.0%	3,518	39.4%
Total	137	71.7%	12,149	57.0%	54	28.3%	9,183	43.0%

Source: CRA Data Collection

As shown in the above tables, the small business loan distribution reflects a good responsiveness to the assessment area's credit needs.

The bank's geographic distribution of residential and small business loans are considered satisfactory.

II. Geographic Distribution of Loans

Residential Mortgage Lending

Federal Financial Institution Examination Council (FFIEC) Table 2a shows the geographic distribution of home purchase loans. This table reflects a penetration throughout the assessment area's census tracts. The bank originated 352 home purchase loans in 2001, 2002 and YTD 2003. The highest percentage of loans was originated within the area's middle-income census tracts with 50.81 percent of the total number of home purchases in 2001, 42.54 percent in 2002 and 36.17 percent YTD 2003. This loan volume is appropriate considering the high number of middle-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. Upper-income census tracts accounted for 34.68 percent of loans originated in 2001, 35.82 percent in 2002, and 52.13 percent YTD 2003 which is similar to the proportion of owner-occupied housing located in those census tracts. The moderate-income census tracts accounted for 13.71 percent of home purchase loans in 2001, 21.64 percent in 2002 and 11.70 percent YTD 2003. The one low-income census tract accounted for 0.81 percent of home purchase loans in 2001 and no loans were originated in 2002 and YTD 2003. This is expected since there are virtually no owner-occupied properties in this tract.

FFIEC Table 3a shows the geographic distribution of home improvement loans. The bank originated 39 home improvement loans for 2001, 2002 and YTD 2003. The majority of these loans were in middle-income census tracts. The largest portion of households and aggregate lending was in the middle-income census tracts. Many borrowers use home

equity loans to finance their home improvement needs. Therefore, analysis of this category for the bank is limited.

FFIEC Table 4a shows the geographic distribution of home mortgage refinance loans. The bank originated 227 loans in 2001, 479 loans in 2002 and 671 loans YTD 2003. The bank originated the highest percent of loans in the middle-income census tracts with 55.51 percent in 2001, 53.86 percent in 2002 and 40.24 percent YTD 2003. This loan volume is appropriate considering the high number of middle-income census tracts in the assessment area and the high percentage of owner-occupied housing units in those tracts. The bank originated 15.42 percent of its loans in the moderate-income census tracts in 2001, 10.23 percent in 2002, and 11.62 percent YTD 2003, which is slightly above the 10.46 percent for owner-occupied properties located there. In 2002, 0.21 percent of the loans were originated in the low-income census tract, which is consistent with the low percentage of owner-occupied properties, and also given the fact the aggregate origination activity was minimal. When compared to the aggregate information for 2001, the bank originated a larger percentage than the aggregate in moderate-income census tracts.

FFIEC Table 5a shows the geographic distribution of multifamily loans. The bank only originated 7 loans for the period under review. Two loans were originated in moderate-income tracts in light of the fact cost and availability of multifamily homes are prohibitive to many potential buyers.

Small Business Lending

FFIEC Table 6a shows the geographic distribution of small loans to businesses. The bank did not originate any small business loans in the one low-income census tracts for the period under review. The bank did originate 15.2 percent of its small business loans in moderate-income census tracts in 2001, 19.2 percent in 2002 and 13.64 percent YTD 2003 which is slightly above the 14.65 percent of businesses located there. The bank originated the majority of its small business loans in middle-income tracts for the period under review and is in line with the percentage of businesses located in middle-income census tracts. The geographic distribution of small business loans was also compared to all other small business lenders in the county. Other small business reporters include bank and non-bank entities such as large national banking companies, other local banks, and finance companies. The most recent data available for this analysis relates to calendar year 2001. The bank originated no small business loans in the low-income census tract which is lower than the 0.41 percent of the originated aggregate lending for the period. The bank's small business lending in moderate-income census tracts was favorable. The bank originated 15.2 percent of its small business loans in moderate-income census tracts versus the aggregate, which originated 11.81 percent

FFIEC Table 7a geographic distribution of small loans to farms was excluded from the analysis due to the urban nature of the bank's assessment area. The bank did not originate any small farm loans.

To summarize, the geographic distribution of the bank's lending is strongest in the middle- and upper-income census tracts where the majority of census tracts, housing units, and

businesses are located, as well as the highest levels of aggregate lending. The bank's performance in moderate-income census tracts is greater than the housing and aggregate percentages. In addition, the bank generated a minimal number of loans in the one low-income census tract in the assessment area.

III. Distribution of Loans by Borrower Income

Residential Mortgage Lending

This factor assesses how well the bank is addressing the credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on Cambridge Savings Bank's record of lending to low- and moderate-income borrowers residing in the assessment area. Information on the HMDA/LARs concerning residential mortgage lending shows an adequate distribution of loans among all income levels, including both low- and moderate-income categories.

FFIEC Table 8a shows borrower distribution of home purchase loans. The bank originated 124 loans in 2001, 134 loans in 2002 and 94 loans YTD 2003. The upper-income borrowers accounted for the single greatest share of home purchase loans originated at 72.5 percent in 2001, 72.44 percent in 2002 and 54.3 percent for YTD 2003. The high percentage of loans to upper-income borrowers is attributed, in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was much less with 15.0 percent of the total in 2001, 15.75 percent in 2002 and 23.4% for YTD 2003. Loans originated to moderate-income borrowers were below the number of family households and slightly greater than 2001 aggregate lending. The bank originated 10.83 percent of its home purchase loans in 2001, 11.02 percent in 2002 and 9.6 percent YTD 2003 to moderate-income borrowers. Lending to low-income borrowers was satisfactory with 1.67 percent of the total of home purchase loans in 2001, 0.79 percent in 2002 and 9.6 percent for YTD 2003. Although, the percentage of loans to low-income borrowers is less than the percentage of low-income family households in the area, the number of loans is satisfactory considering that mortgage loan demand from borrowers in this income category is typically lower than that of the other income groups.

FFIEC Table 9a shows the borrower distribution of home improvement loans. The bank originated 39 home improvement loans for 2001, 2002 and YTD 2003. Loans originated to low-income borrowers was 17.39 percent and loans originated to moderate-income borrowers was 13.04 percent in 2001. Again, the lending activity was minimal however low-income activity was greater than the percentage of family households and aggregate lending in 2001. The largest portion of households and aggregate lending was to upper-income borrowers. Many borrowers use home equity loans to finance their home improvement needs. Therefore, analysis of this category is limited.

FFIEC Table 10a shows the borrower distribution of home mortgage refinance loans. The bank originated 1,337 (77.6 percent) loans in 2001, 2002 and YTD 2003. Upper-income borrowers accounted for the single greatest share of home mortgage refinance loans originated at 68.14 percent of total volume in 2001, 61.97 percent in 2002 and 52.46 for YTD 2003. The high percentage of loans to upper-income family households is attributed,

in part, to the economic characteristics of the area and the strong loan demand from borrowers in this income category. Lending to middle-income borrowers was similar to the percentage of middle-income family households in the assessment area and slightly lower than the aggregate in 2001. Loans originated to moderate-income borrowers were significantly lower than the percentage of moderate-income family households and lower than the aggregate in 2001. Lending to low-income borrowers was minimal with refinance lending activity at 3.10 percent in 2001, 2.52 percent in 2002 and 6.41 percent for YTD 2003. Loans originated to low-income borrowers was significantly lower than the percentage of low-income family households and comparable to the 2001 aggregate data.

Small Business Lending

FFIEC Table 11a shows the borrower distribution of small loans to businesses. The bank has a good record of originating small business loans to business with gross annual revenues under \$1 million. During the review period, the bank originated 137 small business loans in its assessment area. In 2001, 80.43 percent were originated, 74.47 percent in 2002 and 75 percent YTD 2003. These percentages are above the 70.39 percent of all businesses that are located within the county. Loan size is another consideration for analyzing lending performance to small businesses. The bank had an excellent record of lending to small businesses with loan amounts less than \$100,000. Loans less than \$100,000 accounted for 95.65 percent in 2001, 78.72 percent in 2002, and 77.3 percent YTD 2003.

To summarize, the borrower distribution of the bank's lending shows that a minimal portion of its home mortgage loans are originated to low- income borrowers, A satisfactory level is extended to moderate-income borrowers. The majority of small business loans go to businesses with revenues less than \$1 million and the majority of the loans are \$100,000 or less.

FFIEC Table 12a borrower distribution of small loans to farms was excluded from the analysis, due to the urban nature of the bank's assessment area. The bank did not originate any small farm loans.

Other Lending

FFIEC Table 1- Other Products were excluded because the bank did not present other optional loans for evaluation. If data was presented, FFIEC Table 13, also excluded, would have reflected the geographic and borrower distribution of consumer loans.

IV. Community Development Lending

Cambridge Savings Bank has granted a good level of qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose affordable housing for low and moderate-income individuals; community services targeted to low and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During the examination period, Cambridge Savings Bank originated or increased 7 loans totaling \$4,195,000 and renewed two loans totaling \$69,000 that meet the definition of Community Development Loans. The following describes the Community Development Loans originated and committed during the period under review.

Just A Start Corporation

Just A Start (JAS) is a non-profit, Cambridge-based organization offering programs and services in training and human development, affordable housing, prevention of homelessness, community building, and economic development through job creation and job placement to low- and moderate-income urban working neighborhoods. JAS also is involved in the acquisition, construction, and/or rehabilitation of rental housing for low- and moderate-income individuals.

In July 2001, the bank originated a \$2.2 million construction/bridge loan with recourse to JAS, converting to a \$1.0 million non-recourse permanent loan with a 16 year term and a 30 year amortization upon completion. Funds will be used to renovate three properties into 20 affordable housing units. The properties consist of a former candy factory, a two-family house, and a single-family house located in a moderate-income tract in Cambridge.

In November 2001, the bank originated a \$160,000 revolving line of credit and in June 2003, the line of credit was renewed and increased by \$200,000. This loan will assist JAS in the funding for its home improvement program for owners of 1-4 family properties located in the City of Cambridge. This loan will provide flexibility in working with low to moderate income applicants in cases including relocation and temporary housing costs and to continue to stabilize ownership and tenancy of diverse low and moderate-income households in Cambridge.

Cambridge Redevelopment Authority

Cambridge Redevelopment Authority is a quasi-public agency that acts as the redevelopment authority for the City of Cambridge. This authority is responsible for the design and completion of several large urban renewal projects in Cambridge. In January 2002, the bank granted a \$500,000 demand secured revolving line of credit and in April 2003, the bank increased the existing line by \$500,000.

Cambridge Community Center, Inc.

The purpose of the center is to provide educational and recreational services for the young and adult residents of Cambridge. The center accomplishes this through its after school child care and all day summer camp programs for children. The children come from all areas of Cambridge and their background is predominantly low-income, working families. In January of 2002 the bank renewed an existing \$10,000 revolving line of credit to provide short-term working capital. The bank increased the line by \$25,000 in February 2003. In addition, in February 2003, the bank also granted a \$25,000 loan for 60 months to fund heating system improvements.

Homeowner's Rehab, Inc.

Homeowner's Rehab Inc. (HRI) is a tax-exempt nonprofit organization that is focused on developing and preserving affordable housing opportunities in the City of Cambridge. HRI accomplishes its goals by providing home improvement loans to owner-occupied residents, acquiring and developing low-income and mixed income housing, and by providing below market financing to low income multifamily housing owners. In April 2002, the bank originated a \$200,000 line of credit for 20 years secured by the assignment of notes and mortgages. This line of credit provided funds that will be utilized specifically to make home improvement loans to low and moderate income families.

Cambridge and Somerville Cooperative Apartment Project (CASCAP)

CASCAP is a Cambridge-based, non-profit organization whose primary purpose is to provide affordable housing and supportive services to single adults with special needs. One program offered through CASCAP is the Affordable Small Apartment Preservation Initiative. The goal of this Initiative is to preserve and create affordable apartments in Cambridge to meet the needs of low and moderate-income single adults.

In April 2003, the bank originated a \$385,000 construction/permanent loan, for the purpose of developing seven rental units at 196-198 Auburn Street a vacant two-story wood framed house in the vicinity of Central Square.

United Homes For Children, Inc.

United Homes for Children is a 15 year old, non-profit organization providing social services to children, principally through foster care programs, and to adults through shelter programs. In June 2002, the bank renewed a \$178,000 participation loan for an additional five years. The loan was originally extended to Second Home, Inc. for the purpose of acquiring and converting a property located at 30 Pearl Street, Cambridge into a 10-unit group home, used for former homeless individuals as they re-enter the workforce. The loan has been participated out to two other local financial institutions and each bank has a 33%(or \$59,000) interest in the loan balance.

V. Innovative or Flexible Lending Practices

Cambridge Savings Bank continues to design and participate in loan programs aimed at meeting the credit needs of low and moderate-income individuals, first time homebuyers and small businesses. These programs are detailed below.

First Time Homebuyer

The bank offers its own internal first time homebuyer program that offers more flexible debt to income ratios of 33-38 percent, down payment options, reduced closing costs, and financing of up to 97 percent with private mortgage insurance. The bank offers two adjustable rate products the 5/1 ARM and the 7/1 ARM that offers a rate that is ¼% lower than the bank's rate for these products. The bank's flexible underwriting standards address the needs of first time homebuyers with low down payments, reduced closing costs, reduced rates, and expanded qualifying ratios. During 2001, the bank originated 41 loans totaling \$10,294,042. In 2002, the bank originated 42 loans totaling \$11,786,636. As of September 30, 2003, the bank originated 19 loans totaling \$5,702,730.

Soft Second Loan Program

The bank participates in the "Soft Second" loan program in conjunction with the Massachusetts Housing Partnership (MHP). The program is a private/public initiative designed to increase affordable housing opportunities for low and moderate-income first-time homebuyers. Through participation in the program, eligible homebuyers are provided with a second loan, which reduces the dollar amount that the eligible homebuyer would otherwise be required to borrow through the first loan and thereby reduce the monthly payments the buyer must make on the first loan. During 2001, the bank originated 1 loan totaling \$20,000. In 2002, the bank originated 1 loan totaling \$20,250. As of September 30, 2003, the bank originated 2 loans totaling \$62,000.

Special Loan Program

This program includes two loan programs: an Individual Loan and a Small Business Loan. Applicants who may not qualify for conventional loans are referred to the bank from community organizations including, but not limited to, Arlington Social Services Department, Cambridge Business Development Center, the City of Cambridge Economic Development Department, and the Burlington Community Life Center. Features of these products are summarized below:

- Individual Loans are granted in amounts ranging from \$500 to \$5,000 with a fixed interest rate of prime plus one or two percent, depending on the loan amount. Applicants must live or work in the assessment area. During 2001 and 2002, the bank originated no loans. As of September 30, 2003, the bank originated 2 loans totaling \$7,000.
- Small Businesses Loans are offered to businesses for amounts ranging from \$1,000 to \$25,000 at an interest rate of prime plus one-half percent. The loan is structured to

meet the credit needs of entrepreneurs operating a business for at least one year within the bank's assessment area. During 2001, the bank originated no loans. In 2002, the bank originated 1 loan totaling \$25,000. As of September 30, 2003, the bank originated no loans.

Special Mortgage Program

This program offers mortgages to individuals who may not qualify for a loan under normal guidelines due to financial hardship. The loan allows individuals to refinance their homes in an effort to re-establish credit and maintain ownership of their property. A Special Loan Committee Fund was established with \$1,250,000. As money is paid back to the fund, it will become available to other borrowers. Applicants must be referred to the bank for this program through community organizations or the bank's second review committee. During 2001, the bank originated 1 loan totaling \$12,000. In 2002, the bank originated 1 loan totaling \$125,000. As of September 30, 2003, the bank originated 4 loans totaling \$626,000.

Small Business Administration (SBA)

Cambridge Savings Bank continues to be a participating SBA lender. The following is a description of SBA programs the bank offers:

- The LowDoc program is 90 percent guaranteed by the SBA, which focuses on the character, credit, and business experience of the applicant, rather than availability of collateral. In addition, documentation requirements are minimal.
- The 7a program provides start-up costs to small businesses. The bank funds the entire loan, with SBA guaranteeing between 75 percent and 90 percent, depending on the use of the loan proceeds.

Under these programs, the bank originated 2 loans totaling \$187,000 in 2001. In 2002, no loans were originated. As of September 30, 2003, the bank originated 1 loan totaling \$325,000.

Small Business Loan Program

This Cambridge Savings Bank program addresses the financing needs of small business owners. Loans up to \$250,000 are available through a simple application process. The program features responsive service and quick turnaround on lending decisions. The loan may be a term loan or a line of credit. During 2001, the bank originated 34 loans totaling \$1,204,000. In 2002, the bank originated 28 loans totaling \$1,133,000. As of September 30, 2003, the bank originated 39 loans totaling \$1,441,000.

Affordable Housing Program

This bank mortgage loan program enables non-profit organizations to acquire property for affordable rental or affordable ownership units at or below market rates. In 2001, the bank originated, 4 loans totaling \$802,000. In 2002, the bank originated 3 loans totaling \$692,000. As of September 30, 2003, the bank originated 3 loans totaling \$750,000.

Reverse Mortgages

The bank participates in the Homeowner Options for Massachusetts Elders (HOME) program which offers counseling on housing issues to help low and moderate-income elderly homeowners to use the equity in their real estate for home improvements and living expenses. This program features a reduced interest rate, no points, low closing costs, and flexible underwriting terms. During 2001 and 2002, no loans were originated under the program. As of September 30, 2003, the bank originated 2 loans totaling \$482,221.

Cambridge Housing Authority Loan Program

The Bank has established a partnership with the Cambridge Housing Authority (CHA) that allows tenants to purchase the unit they are renting as part of HUD's Turnkey Program. CHA established this homeownership program to assist the production and preservation of housing for low income households in Cambridge. The program gives tenants opportunities for homeownership at below market price. During 2001 and 2002, no loans were originated under the program. As of September 30, 2003, the bank originated 1 loan totaling \$13,029.

Central Square Façade Improvement Program

The bank introduced this program in October 2001, that offers facade improvement loans to property owners and business tenants in the Central Square area. The program is in partnership with the City of Cambridge Community Development Department. The program provides below market interest rates and up to 15 years repayment. In 2002, the bank originated 1 loan totaling \$125,000.

MassHousing Take the T Home Mortgage Program

This program helps qualified regular and frequent T riders purchase a home within close proximity to public transportation. The program is available to demonstrated regular and frequent users of public transportation throughout the MBTA service area who have household incomes less than 135% of the median income. The program is available in cities and towns within the bank's assessment area. As of September 30, 2003, the bank originated 1 loan totaling \$283,000.

VI. Fair Lending Policies and Practices

The bank's lending and compliance policies address fair lending issues. The policies address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, Equal Credit Opportunity Act, and Regulation C, HMDA.

All employees are provided with training appropriate to their job description and their responsibilities with fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

The bank's CRA Officer volunteers her time to a variety of area organizations in need of her training and expertise. Cambridge Savings Bank markets its services and products to the community through a variety of mediums including print, radio, television and through the Internet.

The bank has an established program of taking a second look at residential real estate, home equity loans, and small business loans that are slated for denial. A secondary review of adverse action decisions are completed by the bank's second review committee which consists of consumer lending, commercial lending, compliance, and the bank's CRA Officer.

The bank's Compliance Officer conducts comprehensive reviews of the HMDA/LAR and Small Business Loan Register to check for accuracy on a quarterly basis. In addition, the Compliance Officer conducts periodic fair lending audits and CRA audits.

A fair lending review was performed as part of the examination to ensure compliance with the governing fair lending regulations. The review identified no violations of the substantive provisions of the anti-discriminatory laws and regulations.

Minority Application Flow

Cambridge Savings Bank's assessment area contains 553,997 individuals, 66,429 or 12.0% of whom are minorities. The assessment area's minority population is 0.2% Native American, 4.0% Asian, 4.3% Black, 3.4% Hispanic and 0.1% Other based on 1990 demographic data. According to the 2000 census, the assessment area contains 562,667 individuals, 108,420 or 19.3% of whom are minorities. Based on 2000 statistics, the area's minority population is 0.2% Native American, 7.2% Asian, 4.6% Black, 4.6% Hispanic, and 2.7% Other.

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank received 2,001 residential loan applications from within its assessment area. During this period, 257 applications or 12.9% were received from minorities. Of the 257 applications received, 221 or 86.0 percent resulted in originations. The bank's minority application flow appears similar to the

racial composition of its assessment area using 1990 Census information, but appears to be below using 2000 Census information.

Refer to the following table for further details.

MINORITY APPLICATION FLOW*								
RACE	Cambridge Savings Bank 2001		Cambridge Savings Bank 2002		Cambridge Savings Bank 2003		Cambridge Savings Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	1	0.2%	2	0.3%	1	0.1%	3	0.1%
<i>Asian</i>	27	6.2%	46	6.6%	34	3.9%	107	5.4%
<i>Black</i>	13	3.0%	13	1.9%	17	2.0%	43	2.2%
<i>Hispanic</i>	4	0.9%	6	0.9%	4	0.5%	14	0.7%
<i>Joint</i>	21	4.9%	25	3.6%	36	4.1%	83	4.2%
<i>Other</i>	4	0.9%	1	0.1%	2	0.2%	7	0.3%
Total Minority	70	16.1%	93	13.4%	94	10.8%	257	12.9%
<i>White</i>	293	67.5%	537	76.9%	665	76.5%	1,495	74.7%
<i>NA</i>	71	16.4%	68	9.7%	110	12.7%	249	12.4%
Total	434	100.0%	698	100.0%	869	100.0%	2,001	100.0%

*Source: PCI Services, Inc., CRA Wiz Software.

An analysis was also performed comparing the bank's application flow levels in 2001 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

MINORITY APPLICATION FLOW*				
RACE	AGGREGATE DATA 2001		CAMBRIDGE SAVINGS BANK 2001	
	#	%	#	%
<i>Native American</i>	129	0.3%	1	0.2%
<i>Asian</i>	1,985	4.6%	27	6.2%
<i>Black</i>	614	1.4%	13	3.0%
<i>Hispanic</i>	576	1.3%	4	0.9%
<i>Joint</i>	619	1.4%	21	4.9%
<i>Other</i>	601	1.4%	4	0.9%
Total Minority	4,524	10.4%	70	16.1%
<i>White</i>	25,211	58.0%	293	67.5%
<i>NA</i>	13,761	31.6%	71	16.4%

Total	43,496	100.0%	434	100.0%
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*Source: PCI Services, Inc., CRA Wiz Software.

Aggregate information for 2001 indicated that, of the 43,496 HMDA-reportable applications received by all other lenders within the bank's assessment area in 2001, 10.4 percent were from minorities: 0.3 percent from American Indians, 4.6 percent from Asians, 1.4 percent from Blacks, 1.3 percent from Hispanics, 1.4 percent Joint applicants and 1.4 percent from Other Minorities. The bank received 70 applications during the same period.

Of these, 16.1 percent were from minorities: 0.2 percent from American Indians, 6.2 percent from Asians, 3.0 percent from Blacks and 0.9 percent from Hispanics, 4.9 percent Joint applicants, and 0.9 percent from Other minorities. Cambridge Savings Bank's minority application flow when compared to the other lenders within the assessment area is above the aggregate.

VII. Loss of Affordable Housing

The bank's participation, along with its development of credit products with flexible lending criteria, and its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Cambridge Savings bank has demonstrated good responsiveness to the assessment areas credit needs. A substantial majority of the bank's loans were made within its assessment area and were well distributed throughout the communities within the assessment area. The bank's lending also demonstrates a satisfactory distribution of loans among individuals of different income levels. The bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The institution has granted an excellent level of community development loans, and has used innovative and flexible lending practices to address the credit needs of low and moderate-income individuals and small businesses. In addition, the bank's fair lending performance was found to be good at this time. Therefore, the institution's lending performance receives an overall rating of High Satisfactory.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Cambridge Savings Bank is rated "High Satisfactory" in this area. The following describes the institution's qualified investments.

Charitable Contributions

The bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During fiscal year 2001, the bank provided \$232,570 in charitable contributions; \$152,020 or 65.4% was in qualified contributions, in support for development of facilities which promote community development, as defined under the CRA regulation. During fiscal year 2002, the bank provided \$240,648 in charitable contributions; \$158,550 or 65.9% was qualified contributions. As of YTD September 30, 2003, the bank contributed \$275,763 in charitable contributions and a total of \$186,024 or 67.5 % was for community development purposes. The following are examples of these contributions;

Just A Start Corporation

Just A Start is a non-profit community development corporation whose primary goals are to train youths and adults for better jobs, further educational or specialized training opportunities, improve housing conditions while working on housing cost and other financial problems, stabilize existing ownership's and tenancies, and develop and retain long-term affordable rental and first time homebuyer housing. Areas served by Just A Start are Cambridge, Somerville, and the Northwest Metropolitan Boston Area.

Consumer Credit Counseling Services (CCCS)

CCCS of Southern New England is a non-profit agency that provides counseling to individuals experiencing financial hardship. Educational training is also provided in an effort to help these individuals achieve their financial goals. Approximately, 56 percent of CCCS's clients are low or moderate-income individuals. CCCS maintains two offices that are located within the bank's assessment area. These offices are located in Waltham and Woburn.

American Red Cross

This non-profit organization provides relief from suffering or distress resulting from disaster or other calamity. In addition, the American Red Cross also operates a food pantry that serves the most vulnerable individuals, poor families, elderly residents on fixed incomes, homeless individuals, and persons living with AIDS.

Cambridge Family YMCA

The YMCA provides transitional and permanent housing for displaced, homeless, battered women, recovering substance abusers, and mentally and physically handicapped economically disadvantaged women. After-school and membership assistance programs are targeted to low-income families in Cambridge. Approximately 90 percent of the children served by this organization are from low-income families and/or receive financial assistance.

Cambridge Business Development Center (CBDC)

This nonprofit organization has a mission to help individuals grow successful and profitable businesses by providing a supportive learning environment and mentoring model. The bank granted donations that funded programs which assist minority and women-owned businesses along with programs that reach out to under served individuals and communities.

Cambridge Family & Children's Service

The bank made several donations to this organization. Funding supported efforts to provide homeless shelters, adoption services, etc. for young mothers in the City of Cambridge.

Cambridge Housing Assistance Fund

This organization is committed to preserving the diversity and character of Cambridge by providing an economic and education bridge to housing for the homeless and near homeless families.

Cambridge Savings Foundation, Inc.

In May of 2003 the bank established and funded its charitable foundation for \$1,302,002. Non-profit organizations are able to submit an application to the foundation under its guidelines. Contributions will be made to non-profit organizations including assistance to low-and moderate-income areas. As of September 30, 2003, no funds have been distributed.

CONCLUSION (Investment Test)

As depicted above, Cambridge Savings Bank has a good level of qualified community development grants, and has exhibited good responsiveness to credit and community economic development needs based on the limited opportunities in the assessment area. Therefore, the bank's investment performance is rated High Satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Cambridge Savings Bank's service activities are "Outstanding".

The bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service, customer service center, and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the bank have provided a high level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the bank provide an excellent level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

Retail Banking Services

Distribution of Branches

Cambridge Savings Bank is located in Harvard Square at 1374 Massachusetts Avenue, Cambridge Massachusetts, a middle-income census tract. Using the 2000 census data, this tract is now upper-income. In addition to the main office, the bank operates eleven full-service branch offices and one limited service branch office. The limited branch office is a branch located at the Minuteman Regional Technical High School in Lexington. The remaining branches are located within middle or upper-income census tracts. The bank also operates five deposit-taking ATMs, four in Cambridge and one in Belmont.

Branch hours are convenient and comparable to other institutions, and services of the bank are more than sufficient to meet the needs of the assessment area. Office hours for the branches are generally 8:30 a.m. to 4:00 p.m. Monday through Wednesday, 8:30 a.m. to 6:00 p.m. Thursday and Friday, and 9:00 a.m. to 1:00 p.m. on Saturday. The main office in Harvard Square is open from 8:00 a.m. to 5:30 p.m. Monday through Friday with the same extended hours on Saturday as the other branches. The drive-up window at the Arlington Center branch is opened extended hours beyond lobby hours three days a week. The

convenient hours enable customers with normal work hours to access services at the branch. The bank's branch located in the high school is open Monday through Friday from 9:30 a.m. to 1:30 p.m. during the academic calendar.

Automated Teller Machines (ATMs) are located at all branches except the branch at the high school as well as five stand-alone ATMs in Cambridge (4) and Belmont. The bank's ATMs are linked to the SUM network, which allows non-Cambridge Savings Bank ATM cardholders of other SUM network institutions free use of Cambridge Savings Bank's ATMs. Conversely, Cambridge Savings Bank customers can use other Sum network ATMs without being assessed a surcharge by the other institutions. In addition, the ATM network is linked to the CIRRUS, NYCE, and TX networks.

The bank also maintains three 24-hour drive-up ATMs at the East Arlington, Arlington Center, and Arlington Heights branches.

Record of Closing Branches

The bank maintains a Branch Office Closing and Opening policy. The policy details the procedures the bank will follow before closing or opening a branch office. No branches have been closed since the previous examination. The bank opened a new branch in Central Square in Cambridge, Massachusetts on October 22, 2001. The bank also opened a new branch in Acton, Massachusetts on January 13, 2003. The bank has also opened two additional ATMs in Cambridge since the Division's last CRA examination.

Alternative Banking Services

The bank operates a toll-free, 24-hour telephone service called CSB PhoneBank. This feature enables customers to obtain current account balances, verify the dates and amounts of recent transactions, learn if a personal check has been paid, transfer funds between accounts, make payments on consumer or mortgage loans, and obtain information about deposit account and loan rates.

Cambridge Savings Bank also offers CSB WebBank. Located at www.cambridgesavings.com, this feature gives customers the ability to manage their finances from a home or office computer, free of charge. Customers can review checking, savings, and CD accounts, check account balances, make loan payments, transfer funds between accounts, view account histories, and view paid check imaged online. Customers can also download their transaction history into Microsoft Money® or Quicken®, create e-mail alerts to notify them if their account balance is above or below a certain amount, when a check has cleared, or when a CD has matured. Customers can also sign up for the bill pay feature, which enables customers to pay their bills online. This feature is free for all Cambridge Savings Bank relationship package customers. All other customers pay a \$5.00 monthly fee and the number of transactions are limited to 15 per month.

Cambridge Savings Bank also offers an on-line product for businesses called Business WebBank. This feature enables businesses to view account balances, review account activity, view images of cleared checks and set up e-mail alerts to notify you if your balance is above or below a specified amount. It also allows business customers to transfer money

between CSB business accounts, set up sweeps to automatically transfer funds, initiate stop payments, download account data to Microsoft Money® or Quicken® and communicate with bank via e-mail. The website also allows businesses to initiate wire transfers, pay bills, and establish direct deposit.

Banking by mail is also available for opening and closing accounts, deposits and withdrawals, loan payments, transfers, and CD rollovers. The bank provides customers with pre-paid postage envelopes for all mail transactions originated in the United States.

Currently, there are 40 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages include Albanian, Armenian, Cantonese, Dutch, French, German, Hebrew, Hindi, Italian, Kashmiri, Laotian, Mandarin, Papiamentu, Portuguese, Romanian, Russian, Spanish, Taiwanese, and Urdu. As a result, the bank is able to provide better service to customers of different ethnic backgrounds.

Other Services

A variety of deposit products, loan products and business services are available at Cambridge Savings Bank locations. The bank offers checking, passbook and statement savings, certificates of deposit, and individual retirement accounts. The following details the low cost savings and checking accounts offered by the bank.

Cambridge Savings Bank has a checking and savings account that meet the Basic Banking for Massachusetts guidelines. This program was developed to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships.

Cambridge Savings Bank offers a full range of business banking products and services. These services include business checking, business savings, certificate of deposit accounts, merchant card services, and night deposit service. Commercial loan products include commercial real estate loans, letter of credit, lines of credit, secured loans, term loans, and SBA and other guaranteed loan programs.

Cambridge Savings Bank maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program of Massachusetts which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The program allows attorneys to place client's funds in interest bearing accounts, such as NOW accounts with the interest earned paid to one of these charitable entities: the Boston Bar Foundation, the Massachusetts Bar Foundation, and the Massachusetts Legal Assistance Corporation. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil legal services for low-income clients. The bank currently holds 39 accounts for IOLTA and during the examination period remitted \$92,914 in interest to charitable entities.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Cambridge Savings Bank's qualified community development services demonstrate a high level of community development service with many of the bank's officers providing their technical expertise, experience and judgment to these organizations.

The bank has taken a proactive approach to meet the needs of its assessment area. The bank's CRA Officer continues to dedicate the majority of her time serving as a board or committee member for numerous community organizations. Detailed below are committees for which she and other employees serve on.

The Housing Corporation of Arlington is a non-profit community organization helping low and moderate-income families and individuals find housing options, either homeownership or rental units, which their needs safely and affordably. The bank's CRA Officer also serves on its Homeless Prevention Fund Committee, is the chair for its Annual Walk, and is Clerk of Corporation and is a member on the Membership Committee.

Just a Start Corporation participates in numerous community development services including the acquisition, construction, and rehabilitation of rental housing for low and moderate-income individuals. Just a Start Corporation also provides job training skills to individuals residing in low and moderate-income areas. The bank's CRA Officer serves on the organization's Youthbuild Business Panel and Board of Directors.

Cambridge Business Development Center is a non-profit organization dedicated to helping people start and grow successful and profitable businesses by providing mentoring and educational programs tailored to ways entrepreneurs learn. The organization's focus is on early stage companies interested in growth, both high tech and traditional businesses, and extending access to business ownership for minorities, women, and recent immigrants. Through its Advisory Committee, the Center offers various seminars for small businesses which include: Getting started in Business, Getting Started in Home-Based Business, and Managing Your Numbers. The bank's CRA Officer serves on its Advisory Committee.

Citizen's Housing and Planning Association (CHAPA) is a non-profit umbrella organization for affordable housing and community development activities throughout Massachusetts. Its mission is to encourage the production and preservation of affordable housing for low-income individuals and families. CHAPA pursues its goals through advocacy with local, state, and federal officials; research on affordable housing issues; education and training for organizations and individuals; and coalition and consensus building among broad interests in the field. The bank's CRA Officer is on its Task Force and Steering Committee.

Cambridge YWCA provides social programs to low and moderate-income women and children living in the Cambridge area. The organization also provides a women and children's shelter as well as a transitional home for battered women. The bank's CRA

Officer sits on the Executive Committee, is the Chair of the Nominating Committee, which is responsible for bringing people onto the Board, and is on the organization's Development Committee.

Massachusetts Bankers' Association Literacy Task Force has been created to offer consumers information on numerous banking topics covering their "life cycle". Rather than creating a new initiative, the Association will be promoting a financial education campaign, which takes advantage of existing resources or programs and builds on other initiatives. The efforts of the MBA will be to then coordinate these initiatives into a statewide financial campaign from which member banks can select components. The bank's CRA Officer is a member of this task force.

Bedford Housing Partnership is responsible for implementing the Town's affordable housing goals and investigating practices and methods to encourage the growth or supply of affordable housing. To achieve its mission, the committee provides educational forums on affordable housing, develops and maintains housing units, and establishes financial programs to facilitate affordable homeownership and home rental. An Assistant Vice President of the Bank attends monthly meetings of the Partnership.

Somerville-Cambridge Elder Services (SCES) is a private, non-profit agency dedicated to improving the quality of life and maintaining the dignity and independence of older people in Cambridge and Somerville. SCES's Money Management Program provides in-home assistance to elders who cannot manage their own finances. The program is available to residents who are 60 years of age or over, and whose annual income is less than \$18,899 for individuals and \$26,743 for couples. A bank Vice President participates in this program.

Paine Social Services is a non-profit organization that serves elderly Cambridge residents and their families, most of whom are low and moderate-income. Particular attention is placed on those with financial management issues often caused by aging and medical problems. A former bank Senior Vice President was involved with this organization.

Massachusetts Community and Banking Council's mission is to serve as a research and policy center to promote community investment in minority and low and moderate-income communities. The organization also serves as a point of contact between bankers and the community. The Board of Directors comprises bankers and community members who meet to discuss problems, anticipate needs, and formulate initiatives. The bank's former Senior Vice President served on the board of directors.

Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the bank during 2001, 2002 and YTD September 30, 2003. These events provide opportunities for bank representatives to inform those in attendance about the products and services offered by the bank and to gain information about unmet credit needs in the assessment area.

In an attempt to educate potential applicants about the home buying process, Cambridge Savings Bank has participated in five first-time homebuyer seminars during the examination period. The North Suburban Consortium, the City of Cambridge, and the Burlington Information Session on Affordable Housing sponsored these seminars.

In June 2001, the bank's CRA Officer spoke at a seminar sponsored by the Federal Reserve Bank about the CRA Sunshine Provisions.

In October 2001, the bank sponsored a credit/security seminar in conjunction with the Home Options for Massachusetts Elders (HOME). Topics that were discussed at the seminar included ways that the elderly can protect themselves from unscrupulous lenders as well as ways to protect themselves from identity fraud.

In February 2002, the bank sponsored a seminar in conjunction with the FDIC and the Commonwealth of Massachusetts about consumer credit. Topics included discussing different bank scenarios, bank compliance, how to protect yourself, as well as teaching others on consumer protection laws.

In June 2002, the bank sponsored a basic banking seminar in conjunction with the Somerville Haitian Coalition.

School Banks Program

Under the direction of the Division, the bank promotes financial education to youths. The bank was one of the first banks in Massachusetts to initiate the School Bank Program, a hands-on teaching program. The bank currently operates this program at the Brackett Elementary School in Arlington, the **Peirce** Elementary School in Arlington, and the Kennedy Elementary School in Somerville. Students in the fourth, fifth, and sixth grades serve as tellers and customer service representatives with student officers elected to perform administration and daily business responsibilities for the bank. The bank facilities are supervised by faculty advisors and parent volunteers.

The bank also operates a branch at the Minuteman Regional Technical High School in Lexington. The branch was established to educate students in basic principals and practices of banking by actual participation in branch operations.

Young Entrepreneurs Program

This program started at the Kennedy School in Cambridge in 2002, and continued in 2003 at the Fitzgerald School in Cambridge. It is an after school program designed to assist

students with their writing and math skills, while learning how to incorporate these skills in developing a product and writing a business plan to promote the product. Students learn marketing, financial, and business skills with bank employees appearing as guest lecturers and assisting in classroom work.

The students participating in the Young Entrepreneurs Program develop a business plan, meet with the loan review team to discuss their business plan, introduce a product, make commercials, and create their own business cards. At the end of the program, the students participate in a trade show where all of their work will be presented.

Miscellaneous

The bank has written several letters of support to the Belmont Housing Trust, the Acton Community Housing Corporation, and to the Massachusetts Department of Housing and Community Development about the Soft Second Loan Program.

In June 2003, the bank provided a letter of support as part of Just a Start Corporation application to the United States Department of Housing and Urban Development for funding in a national competition.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Cambridge Savings Bank demonstrated an excellent level of service activity and involvement in community organizations throughout its assessment area. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of "Outstanding" is warranted.

III. APPENDIX A

SCOPE OF EXAMINATION: Cambridge Savings Bank has one assessment area that was reviewed on-site using the Large Bank CRA evaluation Procedures. The evaluation included an assessment of the bank's performance within the assessment area, which included the Boston-MA Metropolitan Statistical Area. A review of the Divisions records, as well as the bank's CRA Public File, did not reveal any adverse comments relating to the bank's CRA performance since the prior examination. The period under review is January 1, 2001 through September 30, 2003. Residential lending activity as reported on the 2001, 2002, and 2003 HMDA/LAR and small business loan data reported on the 2001, 2002, and 2003 CRA Loan Application Register.

APPENDIX B

FFIEC Interagency Core CRA public Evaluation Tables

OVERALL LENDING DATA

Depending on the number of optional loan products being considered in the CRA evaluation, Table 1 can consist of two separate and distinct “subtables”.

Table 1: Lending Volume

- Presents the number and dollar amount of reportable loans originated and purchased by the institution and its affiliates, if applicable, over the entire evaluation period by assessment area. The deposit data in this table are compiled by the FDIC and are available only as of June 30th of each year.

Table 1: Other Products

- Presents the number and dollar amount of any unreported category of loans originated and purchased by the institution and its affiliates, if applicable, also being considered during the CRA evaluation.

Examples include consumer loans or other data an institution may provide concerning its lending performance.

LENDING PRODUCTS^{*}

Table 2 and 2a: Geographic Distribution^{**} of Home Purchase Loans

Table 3 and 3a: Geographic Distribution of Home Improvement

Table 4 and 4a: Geographic Distribution of Home Mortgage Refinance Loans

Table 5 and 5a: Geographic Distribution of Multifamily Loans

^{*} Whenever a table has a column for a “% of Total,” the percentage should be of the total for the *rated area*, not the overall institution.

^{**} None of the tables containing information relating to distribution by income level of geography (Tables 2 and 2a through 6 and 6a and tables 13 and 14) include a column for geographies that have not been assigned an income classification. These are commonly referred to as “NA” geographies. As such, the sum of the distribution in low-, moderate-, middle-, and upper-income geographies in an assessment area may not equal 100 percent. Loans lacking income data are not included in the calculation of the distribution by income level of geography.

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.
- Presents the most recent aggregate or market share data available.

Table 6 and 6a: Geographic Distribution of Small Loans to Businesses

- Shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 7 and 7a: Geographic Distribution of Small Loans to Farms

- Shows the percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of farms (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

Table 8 and 8a: Borrower Distribution of Home Purchase Loans

Table 9 and 9a: Borrower Distribution of Home Improvement Loans

Table 10 and 10a: Borrower Distribution of Home Mortgage Refinance Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.
- Presents the most recent aggregate or market share data available.

Table 11 and 11a: Borrower Distribution of Small Loans to Businesses

Table 12 and 12a: Borrower Distribution of Small Loans to Farms

- Compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million; for farms, less than or equal to \$500 thousand) originated and purchased by the institution and its affiliates, if applicable, to businesses or farms with revenues of \$1 million or less to the percentage distribution of businesses or farms with revenues of \$1 million or less.
- Presents the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, by loan size, regardless of the revenue size of the business or farm.
- Presents the most recent aggregate or market share data available.

Table 13: Geographic and Borrower Distribution of Consumer Loans

- For geographic distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies with the percentage distribution of households within each geography.
- For borrower distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CAMBRIDGE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business SEPTEMBER 16, 2003, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

